S. HRG. 98-371

ENABLING LEGISLATION FOR THE 1983 INTERNATIONAL COFFEE AGREEMENT

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

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ENABLING LEGISLATION FOR THE 1983 INTERNATIONAL COFFEE AGREEMENT

MONDAY, SEPTEMBER 19, 1983

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:47 a.m., in room SD-215, Dirksen Senate Office Building, Hon. John C. Danforth (chairman) presiding.

Present: Senator Danforth.

[The press release announcing the hearing and background information on coffee exports and the International Coffee Agreement and Senator Dole's opening statement follow:]

[Press Release]

FINANCE SUBCOMMITTEE ON INTERNATIONAL TRADE TO HOLD HEARING ON ENABLING LEGISLATION FOR THE INTERNATIONAL COFFEE AGREEMENT

Senator John C. Danforth (R., Mo.), Chairman of the Subcommittee on International Trade of the Senate Committee on Finance, announced today that the Subcommittee would hold a hearing on Monday, September 19, 1983, on enabling legislation for the International Coffee Agreement.

The hearing will commence at 9:45 a.m., in room SD-215 of the Dirksen Senate Office Building. It will precede a hearing previously scheduled by the Subcommittee on S. 1035, a bill relating to the enforcement of the agreement between the United States and the European Communities regarding trade in steel pipe and tube products.

In announcing the hearing, Senator Danforth noted that on July 27, 1983, the Senate unanimously gave its advice and consent to U.S. ratification fo the International Coffee Agreement of 1983. The Agreement is the fifth in a series of such agreements, which have been intended to promote cooperation between coffee producing and consuming countries to stabilize trade in coffee. To enable the United States to fulfill its commitments under these agreements, the Congress has authorized the President to carry out and to enforce their provisions. Existing authority, howerver, expires September 30, 1983. Thus, Senator Danforth stated that the Subcommittee will take testimony on the terms of the new agreement and the need for a renewal of the President's authority to enforce its terms.

HEARING MONDAY, SEPTEMBER 19, ON S. 1847, ENABLING LEGISLATION FOR THE 1983 INTERNATIONAL COFFEE AGREEMENT

The Subcomittee on International Trade will conduct a hearing on Monday, September 19, on S. 1847, legislation authorizing the President to carry out U.S. obligations under the International Coffee Agreeement of 1983 (ICA). The hearing will commence at 9:45 a.m. in Room SD-215 of the Dirksen Senate Building. It will immediately precede another hearing by the Subcommittee on S. 1035, legislation regarding imports of steel pipe and tube products.

THE INTERNATIONAL COFFEE AGREEMENT

The 1983 ICA is the fifth in a series of such agreements dating from 1963. It would replace the 1976 agreement, which expires September 30, 1983. The Congress last year extended the President's authority to carry out U.S. obligations under this agreement until September 30th.

Like its predecessors, the 1983 ICA is designed to stabilize coffee prices within an agreed range ($1.15–$1.50 per pound). Export quotas, buttressed by stocking requirements, are established among the coffee producing nations in order to maintain prices within this range. Quotas are reduced, expanded, or suspended for this purpose. Consuming countries agree to regulate imports to support the quota system, and they participate in the negotiations determining the aggregate annual quota and its distribution among types of coffee.

Operation of the agreement is conducted through the International Coffee Organization, headquartered in London. The ICA covers nearly 95 percent of coffee traded world-wide, and is adhered to by nearly all exporting and importing countries. Votes in the organization are distributed on a weighted basis among producing and consuming members; the United States is entitled to 30 percent of the consumers' votes.

The Administration supports continued participation in the ICA because it believes the agreement contributes to stability in coffee trade without significantly restraining market forces that normally determine price and supply. The stability is important because coffee exports account for over 50 percent of total export earnings of 7 countries, and between 20 and the 50 percent for 9 others. A predictable coffee market assures some measure of economic—and in many cases, political—stability in these countries. On the other side, the major U.S. importers support the agreement as a way of ensuring stable supplies. The National Coffee Association and the consumer advisers to the ICA negotiating team support the agreement.

S. 1847

S. 1847 would renew the President's authority to carry out and to enforce U.S. obligations under the 1983 ICA for its 6-year life. Current authority relating to the 1976 agreement expires on September 30, 1983.

By this renewed authority, the President could continue to regulate coffee imports to prohibit the entry of non-quota coffee, to require any coffee exported from the United States to be documented properly, and to take other regulating actions nesessary or appropriate to implement U.S. obligations under the agreement. The law further requires the President to take action in response to market manipulation by members of the International Coffee Organization, if he determines the existence of such conduct. Finally the authority, if renewed, would require the President to submit an annual report on the operation of the 1983 ICA.

Coffee exports as a percent of total exports, 1981

Country:	*Coffee exports as a percent of total exports*
Brazil	6.5
Burundi	87.5
Cameroon	[1] 21.7
Central African Republic	[1] 27.4
Colombia	50.0
Costa Rica	23.4
Dominican Republic	6.4
Ecuador	4.2
El Salvador	57.3
Ethiopia	60.7
Guatemala	22.6
Haiti	19.5
Honduras	[1] 24.6
India (estimate)	3.2
Indonesia (estimate)	1.8
Ivory Coast	[2] 31.1
Kenya	20.6
Madagascar	[1]53.2
Mexico	[1] 2.9
Nicaragua	[1] 36.8
Papua New Guinea	13.0

	Coffee exports as a percent of total exports
Paraguay	0.4
Peru	3.3
Philippines (estimate)	0.9
Rwanda	[1] 52.8
Sierra Leone	[1] 16.8
Tanzania	[1] 23.4
Togo	[1] 7.9
Uganda	[1] 98.7
Zaire	14.8

[1] 1980.
[2] 1979.
Source: IMF, International Financial Statistics, 1982.

STATEMENT OF SENATOR DOLE ON S. 1347

Mr. Chairman: I am pleased to hear today from Ambassador Michael Smith, one of our deputy U.S. Trade Representatives, on S. 1347, legislation allowing continued U.S. participation in the International Coffee Agreement that you introduced on the administration's behalf.

Coffee is the second most traded commodity in the world, after oil. Although not of the same strategic value as petroleum or petroleum products, it nevertheless represents a major economic force in the life of several developing countries. Sixteen countries rely on coffee exports for over 20 percent of their export earnings; seven of those for over 50 percent. At a time when many of these countries are facing rising energy costs, a world-wide recession just now abating, and serious debt problems, it is essential to preserve this source of income to them.

The legislation before us today will continue Presidential authority to carry out U.S. obligations under the International Coffee Agreement. The 1983 ICA, to which the Senate gave its advice and consent unanimously in July, is the fifth in a series of such agreements dating back to 1963. All have had the purpose of stabilizing world coffee trade for the benefit of both consuming and producing countries. The Data I have seen suggest that the 1976 agreement, which the 1983 agreement replaces, generally served this purpose well.

Nevertheless, congressional review of these arrangements is important because they serve to set a price floor as well as a ceiling, and are subject to market manipulation by the exporting countries. I know that the adminsitration sought improvements in the 1983 ICA to prevent such abuses. I will review Ambassador Smith's testimony closely with regard to these changes and to ensure that the interests of U.S. Importers and consumers are not threatened by the agreement.

If this proves to be the case, I will be pleased to support renewal of the President's authority for the life of the 1983 agreement, and to seek an early opportunity to move this legislation along in view of the September 39 expiration date for the current authority.

Senator DANFORTH. The first hearing this morning is on S. 1847, enabling legislation for the 1983 International Coffee Agreement. The witness is Ambassador Smith.

STATEMENT OF AMBASSADOR MICHAEL B. SMITH, DEPUTY U.S. TRADE REPRESENTATIVE

Ambassador SMITH. Thank you, Mr. Chairman.

I am here this morning to speak on behalf of the administration in support of S. 1847, a bill that allows the United States to implement the International Coffee Agreement.

The United States has participated in international coffee agreements since 1962 in an effort to stabilize the wide fluctuations in price and to balance the economic interests of producers and consumers. Each successive agreement has come closer to achieving these goals.

The basic framework of the 1983 agreement, negotiated by 71 countries, is similar to the 1976 agreement. The 1983 agreement contains the following main elements:

Its objective is to stablize the price of coffee within a range that is acceptable to both consumers and producers.

Its principal economic provision is a system of country export quotas which are decreased when prices are declining and increased when prices are rising, in order to seek to keep the price of coffee within an agreed range. In periods of high prices, quotas are suspended altogether in order to encourage maximum exports. The quota system is enforced by the importing members.

The agreement promotes the maintenance of adequate coffee stock levels by making each producing country's export quota partially dependent on its level of stocks. These stocks can be released in a period of high prices to put immediate downward pressure on the market.

In the 1983 agreement, however, the United States sought and achieved several improvements. These include: An enhanced role for importing countries in the determination of the allocation of export quotas, more effective provisions regarding the declaration of export shortfalls to assure that export quotas remain realistic, language clarifying the obligation of producers to refrain from multilateral activities outside the scope of the agreement, which would affect the price of coffee.

International coffee agreements have aimed at balancing the economic interests of producers and consumers, and each has been an improvement over the predecessor in this regard. Like the previous agreements, the 1983 agreement is intended to stabilize coffee prices for short-run periods along long-term market trends. The agreement itself contains no fixed price objective; rather, each year the members of the agreement will establish a price range based on current production and consumption trends, inventory levels, and other factors that influence the market.

The foreign policy implications of our continued participation in the International Coffee Agreement are clear. Coffee is a major export earner in many developing countries; its annual value in world trade is around $12 billion. To the extent that the ICA has helped stabilize prices, it has had a very positive economic impact on these countries. As the largest single importer of coffee, U.S. participation in the ICA is essential to the functioning of the economic provisions of the agreement.

Coffee is a $3 billion industry in the United States. The industry is made up of importers, traders, brokers, roasters, and retailers. The National Coffee Association which represents a large segment of the U.S. industry has formally announced its support for the ICA. Various members of the industry have cited the need for market stability and believe that the ICA is the best means of achieving this objective.

I would like to reiterate, Mr. Chairman, the need to take quick action on this bill. As mentioned earlier, our current legislation expires September 30 of this year. Thus, it is imperative that we have new legislation in place by October 1, 1983, in order to be able to comply with our new treaty obligations. Our failure to do so would disrupt the world coffee market significantly, to the detriment of both producers and consumers and of our relations with the coffee producing countries of the world.

This concludes my brief testimony, Mr. Chairman. I would be prepared to answer questions, and I wish to advise you, sir, that I am accompanied by Mr. Donald Phillips, Deputy Assistant U.S. Trade Representative for Commodity Affairs.

Thank you, sir.

Senator DANFORTH. Thank you, Mr. Ambassador.

[The prepared statement follows:]

STATEMENT BY AMBASSADOR MICHAEL B. SMITH, DEPUTY U.S. TRADE REPRESENTATIVE

I am Ambassador Michael B. Smith, Deputy U.S. Trade Representative. I am here to speak on behalf of the Administration in support of S. 1847, a bill that allows the United States to implement the International Coffee Agreement (ICA).

On July 27, the Senate gave its advice and consent to ratification of the New International Coffee Agreement (ICA). The ICA is due to enter into force on October 1, 1983, for a period of 6 years. The Administration is seeking legislation to allow the President to implement the terms of the new treaty.

The proposed bill amends Section 2 of the 1980 International Coffee Agreement Act by providing that the effective period during which the Presidnet can exercise the authority given him in the Act will no terminate on Septemeter 30, 1983, but will continue for so long as the bill before you is in effect. Under Article 68, the Agreement shall remain in force until September 30, 1989. However, the parties may vote to extend the effective date beyond the 1989 termination date, in which case the language of the proposed bill would permit the act to remain in effect without further amendments or implementing legislation.

The United States has participated in international coffee agreements since 1962 in an effort to stabilize the wide fluctuations in price and to balance the economic interests of producers and consumers. Each successive agreement has come closer to achieving these goals. The basic framework of the 1983 Agreement, negotiated by 71 Countries, s similar to that of the 1976 Agreement. The 1983 Agreement contains the following main elements:

Its objective is to stabilize the price of coffee within a range that is acceptable to both consumers and producers.

Its principal economic provision is a system of country export quotas which are decreased when prices are declining and increased when prices are rising in order to seek to keep the price of coffee within a agreed range. In periods of high prices, quotas are suspended altogether in order to encourage maximum exports. The quota system is enforced by the importing members.

It promotes the maintenance of adequate coffee stock levels by making each producing country's export quota partially dependent on its level of stocks. These stocks can be released in a period of high prices to put immediate downward pressure on the market.

In the 1983 Agreement, however, the United States sought and achieved several improvements. These include:

An enhanced role for importing countries in the determination of individual country export quotas. Although consumers will still not be directly involved in negotiations on export quotas, consumers must approve the final quota distribution. Our vote on this issue will help assure that sufficient quantities of the types of coffee demanded by U.S. consumers are included in the final quota distribution.

More effective provisions regarding the declaration of export shotfalls to assure that export quotas remain realistic. Exporters which do not declare in a timely fashion their inability to fulfill their assigned quotas will be penalized by having their quotas reduced in the following year.

Language clarifying the obligation of producers to refrain from multilateral activities outside the scope of the Agreement which would affect the price of coffee.

International coffee agreements have aimed at balancing the economic interests of producers and consumer, and each has been an improvement over the predecessor in this regard. Like the previous agreements, the 1983 Agreement is intended to stabilize coffee prices for short-run periods along long-term market trends. The Agreement itself contains no fixed price objective; rather, each year the members of the Agreement will establish a price range based on current production and consumption trends, inventory levels, and other factors that influence the market.

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the largest single importer of Coffee, U.S. participation in the ICA is essential to the functioning of the economic provisions of the Agreement.

Coffee is a $3 billion industry in the United States. The industry is made up of importers, traders, brokers, roasters, and retailers. The National Coffee Association which represents a large segment of the U.S. industry, has formally announced its support for the ICA. Various members of the industry have cited the need for market stability and believe that the ICA is the best means of achieving this objective.

I would like to reiterate the need to take quick action on this bill. As mentioned earlier, our current legislation expires September 30 of this year. Thus, it is imperative that we have new legislation in place by October 1, 1983, in order to be able to comply with our new treaty obligations. Our failure to do so could disrupt the world coffee market significantly to the detriment of both producers and consumers and of our relations with the coffee producing countries of the world.

Senator DANFORTH. One philosophical question: Supposing a person who drinks 20 cups of coffee a day were to ask, "Why not just let the market determine the price of coffee rather than to enter into a price-setting agreement?" How would you answer that question?

Ambassador SMITH. Well, as one, sir, who probably drinks 25 to 30 cups of coffee a day, that might be of some interest to me.

I think, generally, sir, that the purpose of this agreement has been to stabilize what would otherwise be wildly fluctuating prices, where, to be sure, if normal market forces were in effect, sometimes the price of coffee would go below this range; but, equally, when there was a shortage of coffee, a freeze or something like that, in producing countries, the price of coffee would go way up.

So I would think, generally, the consumer benefits by this system where the prices are generally evened out.

Senator DANFORTH. This bill provides the President's authority to enforce the terms of the agreement for the life of the agreement. Some have suggested that it should be somewhat less than the life of the agreement, say 2 years. What would your view be on that?

Ambassador SMITH. Our view, sir is that the current bill is the preferred language, that is to say for the life of the agreement.

Senator DANFORTH. Why?

Ambassador SMITH. Well, simply that I would think we have a treaty, which was ratified by the Senate on July 27, for the orderly implementation of this, sir. It would seem to me that we should be able to implement it for the life of the agreement, rather than bringing it back after 2 years, as one bill would do. And that, I think, would raise some questions and uncertainty internationally, inasmuch as we are the largest consumer of coffee in the world.

Senator DANFORTH. Ambassador Smith, thank you very much. I can't think of anything else to ask you. Can you think of anything else you would like to say on the issue?

Ambassador SMITH. No, sir. Thank you very much.

Senator DANFORTH. Thank you.

[Whereupon, at 9:55 a.m., the hearing was concluded.]

[By direction of the chairman the following communications were made a part of the hearing record:]

SANDLER & TRAVIS, P.A.
ATTORNEYS AT LAW
RIVERGATE PLAZA
444 BRICKELL AVENUE
MIAMI, FLORIDA 33131
(305) 358-2413

GILBERT LEE SANDLER
THOMAS G. TRAVIS
LEONARD L. ROSENBERG
MARCIA A. BEILEY
ANDREW M. PARISH
PAUL E. LINET
DIANE F. PINCHUK
MARK D. CRAMES
BEVERLY L. PEYSNER

WASHINGTON OFFICE
SUITE 810
1920 N STREET, N.W.
WASHINGTON, D.C. 20036
(202) 296-6449

NEW YORK OFFICE
SUITE 2850
330 MADISON AVENUE
NEW YORK, N.Y. 10017
(212) 949-0999

LEON I. JACOBSON
STANLEY I. DEUTSCH*
COUNSEL
*(MEMBER NY, DC & CA BARS ONLY)

September 23, 1983

Senator John C. Danforth
Chairman, Subcommittee on
International Trade
United States Senate Committee
on Finance
Dirksen Senate Office Building
Washington, D.C. 20510

EXPRESS MAIL

Enabling Legislation for International
Coffee Agreement of 1983

Dear Senator Danforth:

This letter expresses our grave concern with the manner in which the United States seeks to implement the International Coffee Agreement of 1983: Treaty Document 98-2 (ICA or the Agreement).

For the reasons detailed in the remainder of this submission, we respectfully submit that during its deliberations of the implementing legislation Congress should: (1) carefully consider the motivating factors which have provided the incentive for coffee producers to circumvent the Agreement; (2) include language in the enabling legislation limiting U.S. enforcement of the ICA to those sanctions set forth in the Agreement when evidence indicates that coffee producers have engaged in market manipulation; and (3) direct the appropriate executive agencies to refrain from placing onerous administrative burdens on U.S. coffee importers.

I. Introduction

The United States has participated as a consuming-member nation in four previous International Coffee Agreements dating back to 1963. Recently, the United States renewed its participation in the Agreement through 1989. The objectives of the Agreement are generally stated as follows:

1. To achieve a reasonable balance between supply and demand;

2. To avoid wide disparities in the levels of supply and prices;

3. To promote economic well-being in the member nations;

4. To increase the purchasing power of coffee exporters by maintaining prices and by increasing consumption;

5. To promote and increase coffee consumption by every possible means; and

6. To further international cooperation in connection with world coffee problems.

It is generally agreed that the overall objectives of the International Coffee Agreement of 1983 are consistent with those set forth in the original agreement of 1963. Though one can present a number of cogent arguments why these objectives

are both misguided and unattainable,[1/] the reality is that the United States has acceded to be a party to this Agreement for six more years. Given this reality, the challenge presently facing Congress is to ensure that the implementing legislation provides for an equitable enforcement scheme. Congress must take into account the commercial realities of the world coffee trade, and the economic pressures which lead to market manipulation by producers. Ultimately, Congress must provide safeguards for unsuspecting U.S. importers by directing the executive branch to deal with the source of international manipulative schemes (coffee producers and exporters) through the enforcement provisions of the Agreement.

II. The Dual Market and Market Manipulation

In an attempt to maintain coffee price levels, the Agreement obligates producing member nations to adhere to a quota system

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1/ See P. Douglas, America in the Market Place (1966), at p. 189, wherein Senator Douglas stated that support for the original International Coffee Agreement was urged on the basis that "it is necessary both to raise the standard of living of the poverty-stricken peasant who raises the coffee and give greater stability to hard-pressed governments . . . . Those are both desirable purposes . . . . but it is questionable whether the peasants who do the physical labor would get much of any increase in price." In short, Senator Douglas had considerable reservations concerning the effect international commodity price stabilization schemes had on the real parties in interest: the U.S. consumers and the people of the producing nations.

which imposes absolute levels of coffee exports to member consuming-nations. As a result of this quota system, a dual international coffee market has been created. Coffee that is subject to the quota provisions of the Agreement is sold at an artificially inflated level and coffee that is subject to the natural dictates of the free market place sells at a much lower level. This dual market has created a situation wherein U.S. consumers are paying coffee prices that are, in some instances, three (300) hundred times that which the free market would otherwise set.[2/]

It has recently been reported that coffee-producing countries are engaging in manipulative schemes in order to circumvent the quota system set by the International Coffee Organization (ICO). As major news accounts have reported,[3/] coffee-producing

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2/ The tremendous price disparity involving sales of coffee to non-members is arguably in contravention of Article 2(3) of the Agreement which provides that:

> (3) Exporting Members undertake not to adopt or maintain any governmental measures which would permit the sale of coffee to non-members on terms commercially more favourable than those which they are prepared to offer at the same time to importing Members, taking into account normal trade practices.

3/ E.g., Coffee in Latin America: Losing Grip on Overflowing Stocks, Exporters Find Quotas Detrimental, World Coffee & Tea, June, 1983, at 12 attached hereto as Exhibit A; Cracks in World Coffee Pact, N.Y. Times, July 18, 1983, at _____, attached hereto as Exhibit B.

countries are faced with a surplus of coffee that far exceeds the amount of coffee they may export under the quota system. As a result, in the words of a Honduran coffee expert, "this increase in stock results in a total surplus of coffee too big in relation to our financial capacity to see that it sits idle for a long period of time," Exhibit A. Given the desperate economic situation with which coffee-producing countries are confronted, it is not unrealistic to expect coffee producers to devise innovative means in order to sell their most lucrative commodity to the world's primary coffee-consuming nation --the United States. In fact, according to a U.S. trade group "[t]he producing countries are just pushing the coffee out and selling it at rather huge discounts in order to produce any foreign exchange they can," Exhibit B.

Given the huge surplus of coffee in excess of quota allotted by the ICO, a tremendous incentive exists for devising methods for exporting coffee to the United States. As a result of these pressures to export, so-called "tourist" coffee has emerged that travels internationally through forged or stolen documents, or through the diversion to member nations of coffee originally destined for exportation to countries not members of the Agreement.

The dual coffee market and resulting "tourist" coffee situation has occurred through the benign acquiescence of coffee producing countries. The previously described manipulative schemes have placed unsuspecting coffee importers in an untenable position.

In most instances, U.S. coffee importers are merely unsuspecting recipients of documentation from their foreign shipper. However, coffee importers in the United States have been subject to detentions and seizures of their shipments and assessments of civil penalties up to the value of the shipment. "The fundamental question now is, to what extent a trader or a roaster can be obliged to examine shipping documents." K.F. Roggenkamp, "Europe Report", World Coffee: Tea, June, 1983, at p. 27. We respectfully submit that the inclusion of appropriate language in the enabling legislation would satisfactorily resolve this question.

III. United States Enforcement Practices and the Enabling Legislation

It is our position that the enabling legislation presently before Congress should provide that the enforcement sanctions set forth in the International Coffee Agreement will constitute

the principal remedy to combat market manipulation by coffee producers. Such legislative action is required in order to fulfill two purposes. First, this specific language will provide the involved U.S. administrative agencies (U.S. Customs Service and the Office of the Special Trade Representative) with guidance concerning the enforcement of the Agreement. Second, it will bring the enabling legislation into conformity with the enforcement sanctions set forth in the International Coffee Agreement.

Currently, U.S. enforcement of the International Coffee Agreement is ill-defined and premised upon punishing U.S. importers through the questionable practice of seizing coffee shipments. According to the May 23, 1983 edition of The Journal of Commerce, the United States Customs Service had seized 11.2 million pounds of imported coffee worth about $15 million during the preceding six-month period.

Since coffee is a non-dutiable commodity, item 160.10, Tariff Schedules of the Unites States, seizure is not necessary to protect the tariff revenue of the United States. Moreover, the terms of the existing enabling statute (International Coffee Agreement Act of 1980, (The Act), codified at 19 U.S.C.

§1356k), do not specifically provide for exercise of the seizure authority in the context of coffee importations. The Act provides the Executive Branch with the specific authority to, inter alia, prohibit the entry of coffee that is not accompanied by valid ICO documentation. As such, though the federal government has the authority to prohibit coffee shipments, the legality of coffee detentions and seizures is highly questionable.

In addition to engaging in seizures that may be beyond the scope of the Act, the Customs Service has issued burdensome administrative requirements and conflicting directives. For example, the National Coffee Association of U.S.A., relayed information obtained from the United States Government in connection with forged certificates covering sales of coffee made by Phillipine shippers. The federal government informed unsuspecting U.S. coffee importers that they could verify the authenticity of certificates of origin by rubbing the export stamps (certificates of origin) with a felt-tip flourescent marking pen. If the stamps were genuine, the word "cancelled" would appear on the face of the stamp. If the stamps were

counterfeit, rubbing the pen over the surface of the certificate would cause no reaction. See Trade Newsletter dated May 11, 1983, attached hereto as Exhibit C.

Subsequently, U.S. coffee importers were advised that importers should not use pens on certificates of origin because defaced export stamps would not be accepted by U.S. Customs as valid for importation. See Trade Newsletter dated May 13, 1983, attached hereto as Exhibit D.

Thus, it is clear that the enabling legislation currently being considered by Congress must provide the executive agencies with necessary guidance concerning the appropriate means of enforcing the ICA. Further, it is our belief that the pending legislation should be drafted in such a manner as to ensure that U.S. enforcement practices are consistent with President Reagan's recent pronouncement concerning market manipulation by coffee producers.

As we have previously described, based on the current economic climate and vast coffee surpluses, a tremendous incentive exists for coffee producers to devise manipulative schemes to circumvent the quota provisions of the Agreement. President Reagan's Message of Transmittal of the International Coffee

Agreement recognized that enforcement actions should be directed toward those who are at the core of the market manipulation: coffee producers.

The President's Message stated that the United States had achieved in the most recent ICA "language clarifying the obligation of producers to refrain from market activities outside the scope of the Agreement." President's Message to Congress Transmitting the International Coffee Agreement, 1983, (May 4, 1983). As such, it is clear that Congress should provide a specific provision in the pending enabling legislation mandating that when sufficient evidence demonstrates manipulative schemes by coffee producers, the international sanctions against coffee exporters as set forth in Article 42 shall be the exclusive remedy.

According to Article 42(1) of the ICA, exporting members of the Agreement must adopt "measures required to ensure full compliance with all provisions of this Agreement relating to quotas." One would suspect that in the face of manipulative schemes by coffee producers and exporters, the enforcement sanctions set forth in the Agreement would necessarily attach. However, the enabling legislation for the International Coffee

Agreement presently under consideration by Congress does not specifically consider the need for the application of the Agreement's enforcement mechanisms against such market manipulation.

The enabling legislation does provide the President with the authority to take such action "as he may consider necessary or appropriate in order to implement the obligations of the United States under the agreement." Moreover, the enabling legislation maintains the present language at 19 U.S.C. §1356m requiring the President to request the international coffee agency to take appropriate action when the President has determined that "there has been an unwarranted increase in the price of coffee due in whole or in part to the International Coffee Agreement, or to market manipulation by . . . members of the International Coffee Organization. . . ."

Unfortunately, in the present circumstance there may be insufficient evidence to demonstrate that the manipulative schemes have resulted in price increases. Therefore, in order to insure that: (1) the President's May 4, 1983 pronouncement is properly implemented; and (2) the interests of unsuspecting U.S. coffee importers caught in a web of market manipulation by

coffee producers are safeguarded, the enabling legislation before Congress should provide that the enforcement sanctions set forth in Article 42 of the ICA are the proper remedies to combat manipulation by coffee producers.

Conclusion

This submission has highlighted the existing pressures on coffee producers and exporters which have inevitably led to manipulative schemes in circumvention of the absolute quota system established by the international coffee cartel.

Unfortunately, current administrative enforcement practices have failed to recognize these realities. U.S. coffee importers have been subject to questionable detentions and seizures of shipments by the United States Customs Service. By and large, U.S. importers are merely the recipients of documentation supplied by foreign shippers.

In his May 4, 1983 Transmittal Message to Congress, President Reagan identified coffee producers as the source of market manipulation. Accordingly, we believe that the pending enabling legislation should insure that enforcement efforts are directed at the source of the manipulation. It is our position that current legislation must provide direction to the involved

SANDLER & TRAVIS, P.A.

Senator John C. Danforth
Chairman, Subcommittee on
International Trade
United States Senate Committee
on Finance
September 23, 1983
Page Thirteen

executive agencies in a manner consistent with the Agreement so as to safeguard coffee importers. Accordingly, we respectfully request that the legislation presently pending before Congress include a provision limiting U.S. enforcement to those sanctions set forth in Article 42 of the International Coffee Agreement when evidence indicates that coffee producers and exporters have engaged in market manipulation.

Respectfully submitted,

SANDLER & TRAVIS, P.A.

By: Paul E. Linet
Paul E. Linet

PEL/jr
Enclosure

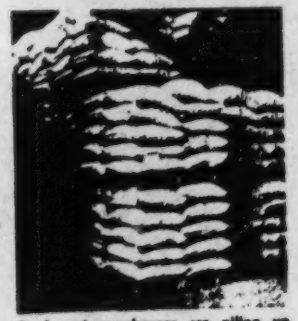
EXHIBIT A

Troubled Times

Coffee In Latin America: Losing Grip On Overflowing Stocks, Exporters Find Quotas Detrimental

High coffee production levels and subsequent oversupply due to limits on ICO export stamps have proven frustrating for Latin American coffee producers and traders. The ever-increasing cost of production inputs also are of major concern to industry officials in the producing nations of Central and South America. Displeased with the present situation, several trade members voiced their concerns in recent interviews with WORLD COFFEE & TEA.

Failing a major frost in the large coffee-producing areas of Brazil this winter, most Latin producers and exporters we spoke with recently agreed that there is little chance of any meaningful movement in coffee prices for the remainder of the year — and possibly beyond.



Producers' warehouses are piling up with bags of coffee as consumption wanes.

This realization, the Latin spokesmen continue, is having a strong psychological impact on the marketplace and, when combined with the political and economic instability of the Central American nations, is making for an atmosphere highly conducive to bearish sentiments.

In the consuming countries, these producers and exporters add, roastings are down, and consumption is slackening while producers are financing surplus production of several million bags.

Most of the Central producers are already sold out of their 1983 quota and are now aggressively searching for non-member buyers. Most also wish they could obtain more stamps from the ICO — but the likelihood of this happening is not strong, exporters there admit.

Shortage Of Export Quota Cited As Biggest Problem

According to Juan J. Kattan, president of Molinos de Honduras, S.A., the biggest problem that faces the coffee industry in Honduras is the shortage of export quota to ICO member countries.

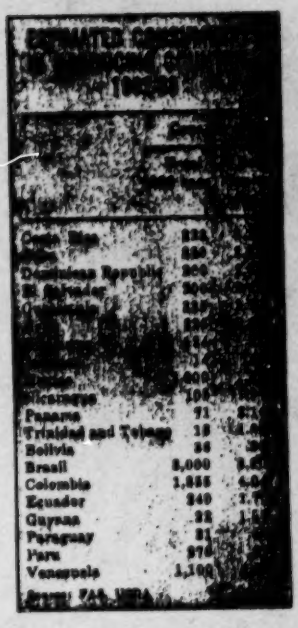
"It is my opinion that the International Coffee Agreement has placed a tremendous financial burden on Honduras," Kattan maintains. "In spite of the solid and very valid arguments of our government representatives during the September 1982 council meetings in London, the more influential members of the ICO unilaterally gave Honduras a quota of only 750,000 60-kilogram bags, even though our production during the 1982/83 crop year will most probably reach 1.5 million bags.

"The financial burden is aggravated still further when one adds the carryover in coffee stocks not previously exported to the new harvest figures," he added. "This increase in stocks results in a total surplus of coffee too big in relation to our financial capacity to see that it sits idle for a long period of time.

"Therefore, we are forced to sell to non-member countries at almost any price," he stated.

Robert Duncan Littlejohn, manager of Productos Ecuatorianos C.A., also attributes oversupply woes to the quota system as Ecuador's most pressing problem.

"The internal distribution of quota seriously limits our capacity to export," said Littlejohn. "On a more theoretical level, any agreement that interferes with the free laws of supply and demand is in the long run detrimental to private enterprise."



Panama	71
Trinidad and Tobago	18
Bolivia	36
Brazil	8,000
Colombia	1,885
Ecuador	340
Guyana	22
Paraguay	31
Peru	974
Venezuela	1,100

Littlejohn further stated that before the quota system came into effect there were about 15 coffee companies in Ecuador. However, today, "including all the phantom cooperatives and phantom new exporters there are over 40," he said.

"In a country where the crop varies from one million to 1.3 million bags, the number of exporters is clearly excessive," he noted. "This policy particularly jeopardizes the traditional exporters who have made large investments in plant and equipment and are now unable to do the volume necessary to amortize those investments."

Carlos Augusto de Araujo Doria

of the Interbras coffee analysis department in Rio de Janeiro stated that: "Immediate measures must be taken in order to improve the present detrimental oversupply/undersupply situation.

"New quota and production policies are definitely called for within the International Coffee Agreement if the coffee industry in Latin America is to remain strong," he added.

According to Fernão Machado Netto, president of the Rio de Janeiro Coffee Trade Center and executive of Fernão Machado, S.A., the very positive image that Brazilian coffee enjoys around the world and the fact that many nations require Brazilian beans for their traditional blends, will give Brazilian beans an edge over other origins.

However, Machado was quick to point out that nearly all of the producing countries, not the least of them being Brazil, have exportable production surpluses that are excessively costly to store.

To add to the difficulties he explained, nearly all of these countries lack the strong currency required to confront their chronically deficient balance of payments position.

"However," Machado related, "Brazil is a country which, over the years, has maintained traditional customers among the non-ICO member countries, like those in the Middle East and some East European countries."

Besides, he said, Brazil maintains a significant rate of trade with these countries, in products additional to coffee.

"This makes it possible to tie this additional trade to the purchase of Brazilian coffee — even at prices higher than those of our competitors, who lack this option of importing," Machado explained.

At present, Machado describes prices being paid for Brazilian coffee as "stable," although these prices are hardly enough to meet the costs of the other side of the ledger.

"Currently, the prices paid for the coffee we export are stable, but they are not fair if one considers the price levels of incoming products within Brazil's foreign trade," he explained.

"It is a well-known fact," he continued, "that Brazil still imports 80 percent of the petroleum it consumes and that it depends on inputs for its agriculture and industry — the prices of which have increased at a rate relatively higher than the price we receive for our coffee."

In fact, Machado said, the issue of price is one which he would like to see more firmly addressed in the Agreement.

"The changes I consider plausible can be summed up in the following way: Higher price parameters, about 20 percent above the present U.S.$1.20 per pound, are needed in order for producer countries to guarantee the maintenance and financing of their growing exportable surpluses," Machado stated.

Keeping a tight reign over the production of these surpluses, he agreed, is also of prime concern to many — but not so easily accomplished.

"Yes, I do favor production controls," he said, "although I realize these would be difficult to carry out, even within the framework of a respectable and efficient organization like the ICO."

Convincing the smaller coffee-producing nations to restrict the growth of their coffee industries could be tantamount to economic suicide, Machado admitted.

Review Of Export Quotas Needed, Says Brazilian Trader

Sergio Coimbra, commercial director of Companhia Cacique de Cafe Solovel, said he would like to see an increase in Brazil's total share of the global coffee quota. Before such an increase could be granted however, Coimbra admitted that a complete review of the export quotas for each member of the ICO would have to be accomplished.

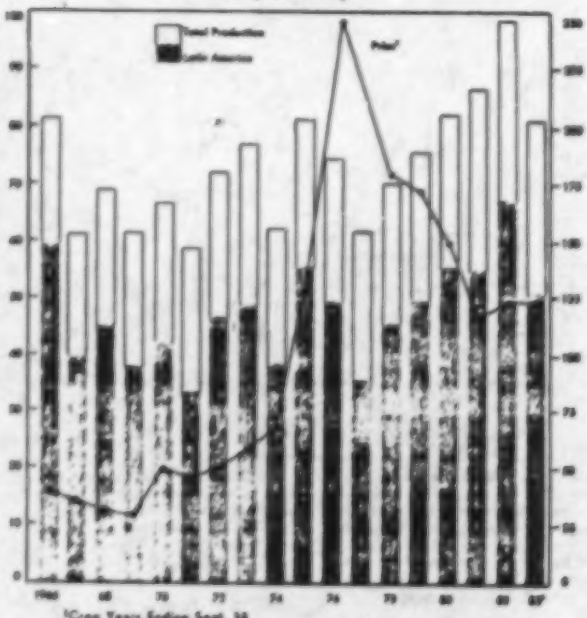
"Brazil deserves a higher export quota, if we take into account her production potential and traditional market share," the Cacique executive explained.

Also regarding the Agreement, Coimbra said he favors a careful, pragmatic approach to the introduction of any production controls — if such controls are introduced at all.

Recalling past war experiences when Brazil destroyed many coffee plants in an effort to lessen the threat of overproduction, Coimbra said he is not interested in production controls which would leave the major share of the burden in the hands of the IBC.

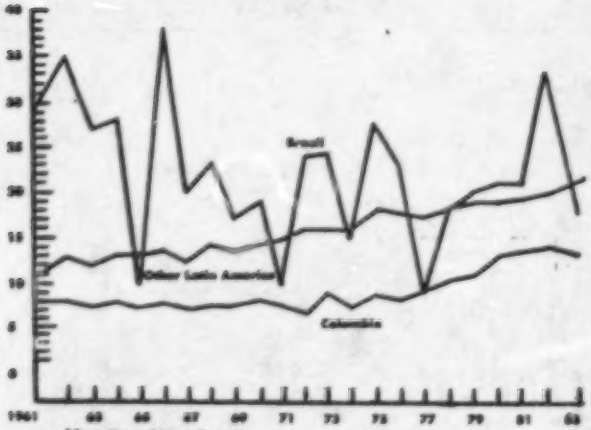
"Although Brazil abided by earlier

GREEN COFFEE: TOTAL WORLD AND LATIN AMERICAN PRODUCTION AND ICO COMPOSITE PRICE 1965/66-1982/83[1]



[1]Crop Years Ending Sept. 30
[2]Monthly Coffee Prices by Representative Grades
[3]1982/83 Forecast based on FAS Coffee Circular FCOF-2, April 1983
WORLD COFFEE & TEA Graphics

LATIN AMERICA: TRENDS IN COFFEE PRODUCTION 1961-83[1]



[1]Crop Years Ending Sept. 30
1982/83 Forecast based on FAS Circular FCOF-2 April 1983
WORLD COFFEE & TEA Graphics

rules and agreed to drastically reduce her coffee tree population, other producing nations deviously increased output and later claimed larger export quotas in the forum of the ICO — and at the expense of those nations that had reduced production of coffee," Coimbra related.

Now attempts to introduce controls on the production of coffee require "careful examination" before they are adopted, Coimbra warned, lest these regulations lead to "frustration and mischief."

Coffee Farmers Bank On Frost To Boost Coffee Prices, Trade

According to a spokesman at Intercafe, S.A., many of the coffee farmers in Guatemala and other Central American countries are banking on a frost in Brazil this season to boost the industry. It's a gamble many believe is worth the risk, he continued.

"A major frost will definitely be a market stimulus with the wholesale level topping $2 a pound and the retail level going over $3 a pound," the spokesman observed.

Of course, he added, reaction to any Brazilian frost will depend heavily on the degree of damage inflicted. Should Brazil experience a devastating frost similar to the Black Frost of '75 (not considered a likelihood by most climatologists we've talked with), then it is quite probable the International Coffee Agreement will crumble, he said.

Naturally, in the absence of a frost, a depressed market will continue unchecked for at least the remainder of the summer months, under the weight of oversupply and slackened demand, the spokesman for the exporting firm explained.

Production Input Costs Skyrocket As Farmers Feel Economic Strain

The Latin American coffee scene has been overshadowed by another major concern that seems to unite the majority of production inputs and

Sergio Coimbra, commercial manager of Cia. Cacique Seleved de Cafe.

the economic strain that these cost increases are placing on coffee farmers.

According to WCAT's Colombian correspondent, Jose Chalarca, in that country alone, many input costs have soared beyond anyone's wildest predictions.

The cost of fertilizers in 1983 increased as much as 347 percent, he writes, while the cost of pesticides and other "defensives" rose dramatically by nearly 750 percent. And as coffee farms in Colombia and elsewhere become more mechanized, the cost of the necessary machinery also continues to increase.

On the other hand, many coffee growers and exporters complain, the prices that consumers seem willing to pay, and that the futures market seems willing to support, in many cases fall far short of "profitable." In some instances, they even necessitate a net loss for the grower.

These financial considerations, combined with a gloomy consumption outlook and the general consensus that the world has entered a period of adequate coffee supply/demand balance, if not an oversupply situation, may be forcing some traditional elements of the Latin American coffee trade into a period of financial contraction.

It is also expected that some individual coffee farmers may be forced into bankruptcy, according to reports reaching WCAT from Brazil.

The same economic woes that are now haunting many coffee growers are also considered by some to be the precipitating elements behind much of the social unrest that currently exists in El Salvador, Guatemala and other parts of Central America.

These events of violence and social protest, some sources concede, are having a negative impact on the ability and desire of many coffee growers in the affected nations to continue producing their traditional quality, and quantity of coffee.

Werner Peters, a coffee exporter doing business in San Jose, Costa Rica, said he is equally as bearish about the future as most of his Latin American counterparts. He is experiencing many of the same fiscal problems that plague other exporters and producers.

"The cost of production is going up on a monthly basis due to inflation and the quota system. It is therefore difficult to determine what a 'fair' price would be at any point in time. But I do know that the price should have a definite relationship to developments in the prices of in-

puts, interest rates, wages and all the other costs we must have to produce coffee," the Costa Rican exporter said.

Costa Rican production in 1982/83, he said, should top out at 2.8 million bags, with an estimated domestic consumption of 223,000 bags, leaving exportable production of about 2.07 million bags against a basic quota of 1.41 million bags.

It is not very difficult, he explained, to find non-member buyers for Costa Rican coffee "as long as the price is right."

But most of these buyers, he explained, are relatively rich countries that have been consuming growing amounts of coffee for many years now. These nations, he implied, should be made to join the ranks of the "traditional buyers" — i.e., join the International Coffee Agreement.

Mexican Coffee Situation Seen As Gloomy, Troubled

In Mexico, leading producer of the Central American nations, the situation, according to one informed source there, is tenuous at best.

"We're putting a lot of faith in coffee this year because of the recent devaluation of the peso. More and more stress is being put on coffee since it is now one of the few sources of foreign exchange," the exporter said.

Carlos Augusto de Araujo Doria of the coffee analysis department of Interbras, Rio de Janeiro.

The peso was devalued nearly 70 percent recently, in a move to make it more compatible with the U.S. dollar. The trouble now, he explained, is that everyone must demand higher salaries and more pesos to make up the difference in "lost" value.

"This actually defeats the purpose of the devalution. The cost of production has gone up twice in comparison with the cost of production of any other product in Mexico. So, we're getting more pesos — but making less profit," the exporter continued.

"It's a gloomy situation," he noted, "and we've never had this much coffee . . . The coffee industry here and abroad is not prepared to deal with all of this coffee."

Financing warehouses full of coffee is also an expensive proposition for the Latin American countries. Even at relatively inexpensive rates, the cost to store millions of bags of coffee is expected to be tremendous.

"We only have the Agreement to blame," said the Mexican exporter. "The Agreement had been working for a time, but it has turned into something undesirable with the present market situation.

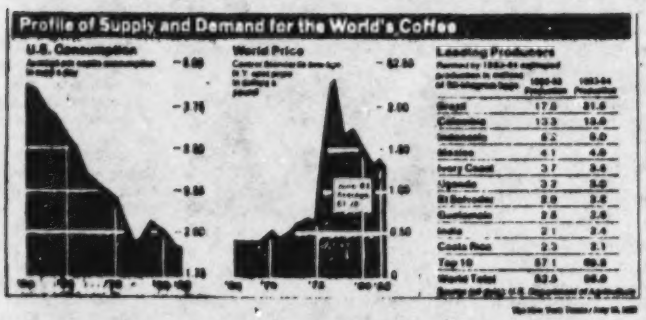
"But I think we knew that would happen, and although people are disappointed, I doubt that anyone is surprised by current conditions," he concluded. □

THE FLAVOUR OF LIFE IN BRAZILIAN SPRAY DRIED INSTANT COFFEE

EXHIBIT B

THE NEW YORK TIMES, MONDAY, JULY 18, 1983

INTERNATIONAL REPORT



Cracks in World Coffee Pact

By STEPHEN KINZER

A six-year extension of the International Coffee Agreement, one of the most successful commodity agreements in the world, is awaiting ratification by the Senate. But unless approval is expected, questions are now being raised about whether the pact can continue to function effectively.

Both producing and consuming nations think the agreement succeeds, for 21 years, it has brought a measure of stability to the coffee trade — a situation that contrasts sharply with the volatility of other agricultural commodity markets.

But coffee experts warned in interviews last week that their industry faces long-term problems that the agreement does not address. If not resolved, these problems could eventually lead to a breakdown in the agreement, they say.

Decline in Consumption

One key problem is a decline in coffee consumption in several important consuming countries, including the United States. Another problem is the dumping of surplus coffee on the world market at prices far below those fixed by the agreement.

"Until now, the coffee agreement has worked better than those for other products like sugar and cocoa, because all the members have shown the will to adhere to it," said Dennis C. Hawkins, vice president and director of commodities research for Drexel Burnham Lambert Inc.

"But a lot of factors are working against cartels and international pricing agreements these days," he added, "and the people who administer coffee's agreement are going to have their hands full keeping this one working as well as it has up to now."

The agreement works by addressing the concerns of both producers and consumers: If the price paid for a pound of average grade coffee on the world market falls below $1.20, export quotas allocated to producing countries are automatically cut so supply will drop. If the price rises above $1.40, the quotas are raised to make more coffee available.

More than 70 nations are members of the London-based International Coffee Organization, which administers the agreement. They include all of the major coffee consuming and producing countries.

Dumping Surplus Coffee

As in all cartels, self-discipline among producers is essential to maintain prices. But over the last year, crushing foreign debt obligations and shortages of hard currency have led some coffee producers to sell portions of their surplus coffee at discounted rates in violation of the agreement.

In the last three months, customs agents in Holland, West Germany and the United States have confiscated shipments of Nigerian and Philippine coffee accompanied by forged or otherwise irregular documents.

To date, the International Coffee Organization has been unable to come up with an effective method of tightening control over illicit coffee shipments. Analysts believe the problem is increasing, and note that the amount of coffee exported to countries outside the agreement is running 24 percent higher than last year even though consumption in these countries has remained stable.

'Leaks in the Dike'

That suggests, they say, that some of the coffee is either not reaching its stated destination or that it is being clandestinely resold.

"The producing countries are just pushing the coffee out and selling it at rather huge discounts in order to produce any foreign exchange they can," said George Boschke, president of the National Coffee Association. "There are leaks in the dike."

Producers have asserted that their governments do not participate in the illicit sales and that unscrupulous private exporters are responsible.

"It is not our policy to encourage that kind of trade," said Devin Rodrigues, head of the commercialization department of the Colombian Coffee Federation, the second largest coffee exporter after Brazil. "The basic results of the agreement have been very positive, but this is a problem that has grown and is very hard to control."

Perhaps a more serious threat to the coffee agreement, analysts note, is the decline in coffee consumption in Europe and the United States.

In the United States, for example, only 50 percent of Americans today drink coffee, down from 75 percent in 1962. And since 1968, I.C.O. figures show, Americans have cut their average per-capita consumption from 2.9 cups a day, to 1.8. Milk, soft drinks, fruit juices and tea have all increased their market share during the period.

If this trend continues, the analysts said, production quotas will have to be permanently cut and producers may be even more tempted to sell excess coffee at cut-rate prices, further weakening the agreement.

"The per capita consumption in the United States has been declining for 20 years," said John Whitemore, a spokesman for the General Foods Corporation, which markets ground coffee under the brand names of Maxwell House, Yuban, Sanka and Brim. "Everyone in the coffee industry would have to be concerned about it."

The United States agreed earlier this year to remain a member of the I.C.O. until 1989. The treaty has been approved by the Senate Foreign Relations Committee and is expected to come before the full Senate in September. No significant opposition has been voiced to the agreement, said Erland Heginbotham, a member of the Committee's staff.

EXHIBIT C

GEORGE GORDON PATON & CO., INC. May 11, 1983

FORGED ICO CERTIFICATES COVER CERTAIN PHILIPPINES SHIPMENTS

We reprint herewith Special Bulletin No. 243, of the National Coffee Association of U.S.A., dated May 10, 1983:

"The United States Government has passed on to the National Coffee Association the following information received from the International Coffee Organization:

Forged certificates have been used to cover certain but not all sales made in the name of two Philippine shippers: Fruitable Manila Inc., and Carding Enterprizes.

Philippine authorities have confiscated all stocks of forged certificates and counterfeit export stamps from those firms. However, it is believed that there may be still shipments afloat covered by forged certificates.

Forged Philippine certificates may be identified by the following means:

1) Horizontal line in Box 10A is made up of dots. On the genuine Philippine certificate, it comprises a series of three, then four, then four horizontal dashes separated by stroke marks.

2) The counterfeit coffee export stamps on the back of the certificates are coarsely perforated.

3) When rubbed with a felt-tip flourescent marking pen the counterfeit coffee stamps will not react. When genuine coffee export stamps are treated with the same pen, the word "cancelled" will appear a number of times across the face of the stamp.

It is suggested that buyers of coffee shipped prior to the end of April 1983 covered by certificates of origin in Form O who wish to establish the authenticity of certificates, should check them in the way indicated in the above three tests or send photostat copies of the back and the front of the certificates to the Executive Director for examination.

Alternatively, in the interest of time, the following information can be telexed to the Executive Director: (The ICO Telex Number is: 267659)

1) Full reference number of the Certificate
2) Net weight in kilograms
3) Name of vessel
4) Date of shipment
5) Destination
6) ICO identification package mark on the back
7) Date of issue
8) Name of shipper."

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RETAIL PRICES AND COUPONING

In a prominent advertisement in today's metropolitan daily newspapers here, C-Town Supermarkets advertise Savarin coffee - regular ground in 1 lb. cans for $1.99 and instant in 10 oz. jars for $2.90. The chain also offers, with coupons, Brown Gold coffee at 1 lb. cans for $1.89 and Savarin decaffeinated coffee in 1 lb. cans for $2.89..... Key Food Supermarkets offer Chock full o'Nuts coffee at 1 lb. can for $1.79 with coupon and the purchase of $7.50 or more of other merchandise and offers a coupon worth 60¢ towards the purchase of a 1 lb. can of Prim decaffeinated coffee. The firm also advertises Folger's instant coffee at 8 oz. jar for $3.19.....Associated Supermarkets offer coupons worth 30¢ towards the purchase of 1 lb. cans of both Brown Gold coffee and Savarin decaffeinated coffee. The chain also advertises Savarin coffee - ground roast in 1 lb. cans for $1.99 and instant in 10 oz. jars for $2.99.....A & P Supermarkets advertise Eight O'Clock coffee

Editor's Note: NCA Special Bulletin No. 243 was reprinted in ours of May 11th.

GORDON PATON & CO., INC.

EXHIBIT D
May 13, 1983

ARRIVALS OF GREEN COFFEE IN THE UNITED STATES

New Orleans: S.S. Rapura from Brazil with 1,000 bags; Hellenic Grace from Kenya 12,459, and from Tanzania 525; Jacksonville from Haiti 535, and from Jamaica 750; Shirley Lykes from Peru 2,318, and from Colombia 4,425; Delia Nesto from El Salvador 2,006, and from Brazil 8,550.

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U.S. WHOLESALE COFFEE PRICES

The average monthly wholesale prices of coffee in the United States in April 1983 were 252.8¢ per pound, in all size packs, of ground roasted coffee, down 2.9¢ from the March 1983 price level; 243.2¢ per one-pound can of ground roast coffee, a decline of 5.0¢ from the revised 248.2¢ price level in March 1983; and 740.0¢ per 16 oz. of [illegible] in soluble packs, up 4.0¢ from the March price level. In the 12 months ending April 1983, the price per pound of ground roasted coffee, in all size packs, rose 0.4 per cent; the price per pound of ground roasted coffee, in one-pound cans, fell 0.2 per cent, and for soluble coffee, in all size packs, prices rose 6.9 per cent over the past 12 months.

AVERAGE MONTHLY WHOLESALE PRICES OF COFFEE IN THE UNITED STATES
- in cents per pound -

Month/Year	Ground Roast per lb., all packs	Ground Roast in 1 lb. cans	Soluble per 16 ozs.
January 1982	244.5	239.0	703.5
February	248.0	242.1	697.9
March	249.9	245.3	698.5
April	251.7	243.8	698.5
May	249.6	240.9	698.4
June	248.5	241.1	698.5
July	248.4	241.1	698.6
August	247.0	239.0	698.8
September	247.2	240.8	691.9
October	248.8	243.0	694.5
November	250.7	244.2	704.4
December	255.0	245.1	712.9
January 1983	253.9	245.1	724.7
February	254.4	244.6*	781.5
March	255.7	248.2*	736.0
April	252.8	243.2	740.0

* Revised

Source: Bureau of Labor Statistics, U.S. Department of Labor.

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ICO EXPORT STAMPS NOT TO BE DEFACED

The National Coffee Association of U.S.A. (NCA) has advised the membership as follows:

"In NCA Special Bulletin No. 242, May 10, 1983, we printed three means by which an importer could check to see whether the ICO Export Stamps and Certificate of Origin were authentic. The third means was to rub the stamp with a felt tip marking pen. The word "Cancelled" should appear; if it doesn't the Stamps may be forgeries.

"U.S. Customs has just advised NCA that importers should not use the pens on the stamps because defaced Export Stamps will not be accepted as valid for importation. Instead, Customs suggests that if an importer wishes to verify the authenticity of the Export Stamps he bring the Certificate to the Customs Import Specialist in his area." (Editor's Note: NCA Special Bulletin No. 243 was reprinted in ours of May 11th.)

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HARRY R. McCOMB

It is with sorrow that we report on the death of Harry R. McComb, retired manager of Standard Brands, now Nabisco Brands, on Wednesday, May 11, 1983. He was 72 years old and lived in Barnegat, N.J. Mr. McComb had been with Standard Brands for 36 years before retiring in 1973.

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